

Michael N. Milby, Clerk of Court

9/2

Table of Contents

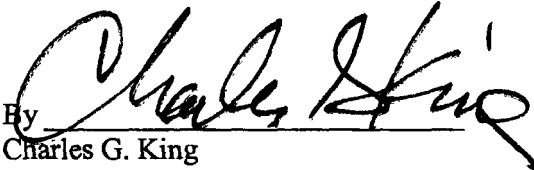
Exhibit 1: Matthew Goldstein, *Next Stop on the Enron Express: Wall Street*, DOW JONES NEWS SERVICE, Feb. 26, 2002.

Dated: June 24, 2002

BROBECK, PHLEGER & HARRISON LLP KING & PENNINGTON LLP

Gregory A. Markel (GM-5626)
(Attorney-in-Charge)
Ronit Setton (RS-2298)
Nancy Ruskin (NR-2428)
Brobeck, Phleger & Harrison LLP
1633 Broadway, 47th Floor
New York, NY 10019
Telephone: (212) 581-1600
Facsimile: (212) 586-7878

Paul R. Bessette
Texas Bar No. 2263050
Brobeck, Phleger & Harrison LLP
4801 Plaza on the Lake
Austin, Texas 78746
Telephone: (512) 330-4000
Facsimile: (512) 330-4001

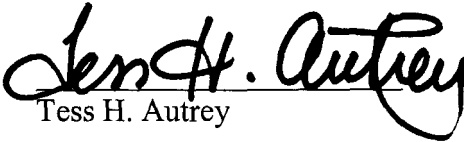
By 

Charles G. King
Texas Bar No. 11470000
King & Pennington LLP
711 Louisiana Street,
Suite 3100
Houston, Texas 77002
Telephone: (713) 225-8404
Facsimile: (713) 225-8488

Attorneys for Defendant Bank of America Corporation

Certificate of Service

I, the undersigned, do hereby certify that on the 24th day of June, 2002, a true and correct copy of the foregoing was served on all counsel, as listed in Exhibit A, pursuant to the Court's April 4, 2002 Order.


Tess H. Autrey

The Service List
Attached
to this document
may be viewed at
the
Clerk's Office

Dow Jones News Service
Copyright (c) 2002, Dow Jones & Company, Inc.

Tuesday, February 26, 2002

SMARTMONEY.COM: Next Stop On **Enron Express**: Wall Street

On the Street
Next Stop on the Enron Express: Wall Street
By Matthew Goldstein
Of SMARTMONEY.COM

AND NOW IT'S Wall Street's turn.

Given the long gravy train of stock and bond offerings that Enron (ENRNQ) sent the Street's way over the past decade, it was inevitable that Capitol Hill would turn its sights to the role of the investment banks in the Enron mess.

This latest part of the Enron inquiry should get going in earnest on Wednesday, when four former Enron analysts are scheduled to testify Wednesday before a Congressional committee. Additionally, the House Committee on Energy and Commerce is expected to start sending letters seeking documents and information from a number of big investment banks that performed work for Enron. So in the coming days and weeks, don't be surprised if you see a slew of well-paid investment bankers follow the analysts up to the Hill to be quizzed on what they knew about Enron's' slippery accounting and shadowy off-balance-sheet transactions.

This review of Wall Street's ties to Enron makes sense given the parade of major financial institutions that were investors in the now-infamous LJM2 partnership set up by Enron's former chief financial officer, Andrew Fastow. It's been well-documented now - both by SmartMoney.com and other publications - that high-powered finance firms such as Credit Suisse First Boston, Merrill Lynch (MER), J.P. Morgan Chase (JPM) and Citigroup (C), were lured into the LJM2 partnership by the promise of potentially rich returns and the chance to get an inside peek into Enron's mysterious deals. Some of the investment banks may even have felt pressured to invest in the LJM2 partnership in order to insure a steady flow of Enron investment banking work (a strategy that's known on Wall Street as "pay to play") according to a confidential report compiled last fall by Vinson and Elkins, Enron's outside law firm, as part of an internal inquiry into potential accounting irregularities. (The Vinson and Elkins report recently was obtained by the House Energy and Committee committee and posted on the committee's Web site along with other Enron-related documents.)

In fact, Congress's decision to take a close look at the role of Wall Street in the Enron mess may be vital to restoring the faith of individual investors in the stock market. That's because federal prosecutors will no doubt take care

of any possible law breaking by officials at Enron and at Arthur Andersen, its auditor. Likewise, the Securities and Exchange Commission is moving to toughen the regulations governing corporate disclosures, which should make it more difficult in the future for companies to be as evasive as Enron was in its financial filings. But Wall Street - which got rich touting Enron - is still acting as if it has nothing to answer for in the Enron mess.

So far, most Wall Street institutions have said little about the Enron debacle, issuing either blanket "no comments," or denying any responsibility for the company's collapse. CSFB, which underwrote more than \$4.5 billion in Enron stock and bond offerings - roughly 20% of Enron's total underwriting work since 1990, according to Thomson Financial Securities Data - has refused to say anything whatsoever. Merrill Lynch, which lined up investors for Fastow's LJM2 partnership and underwrote more than \$4 billion in stock and bond offerings for Enron, has been a bit more talkative - but only to say it's utterly blameless. Says Merrill spokesman William Halldin: "We are confident we acted properly in our dealings with Enron."

A J.P. Morgan Chase spokeswoman, meanwhile, points out that the bank's Enron analyst was one of the first on Wall Street to lower his rating on the stock. That's true, but not by much. On Oct. 23, J.P. Morgan's Anatol Feygin dropped his recommendation to a Buy from a Strong Buy, according to Thomson Financial/First Call. The next day, the analyst at Citigroup's Salomon Smith Barney, Raymond Niles, dropped his rating to Hold from Strong Buy. Citigroup spokesman Dan Noonan says that, "conflicts have always been inherent in our business and our obligation is to manage them well and appropriately."

Between them, Citigroup and J.P. Morgan served as lead manager on more than \$20 billion in syndicated bank loans to Enron over the past decade, with Citigroup also underwriting more than \$4 billion in stock and bond offerings for the company, according to Thomson Financial Securities Data.

There's no evidence suggesting that any of these four Wall Street firms - nor any of the other financial institutions that invested in Enron's off-balance-sheet ventures - should be considered complicit in Enron's apparent misdeeds. No investment bank had an obligation to make sure that Enron's corporate books were legitimate. That was a job for Enron's auditor, Arthur Andersen.

Still, Wall Street has plenty of explaining to do. Jonathan Kord Lagemann, a securities lawyer and former general counsel for a brokerage firm, says the Enron affair exposes the "enormous conflict of interest" inherent in these firms' efforts to be three things at one time: underwriter, corporate analyst and stock seller. To start, there's the obvious issue of whether pressure from their firms caused 10 of the 14 research analysts who followed Enron to keep recommending the stock to investors, even as the company was racing toward bankruptcy. A related issue is whether the analysts knew or should've known just how dire the situation was at Enron, since many of them work for firms

that were invested in the partnerships that played a critical role in Enron's off-balance-sheet transactions.

One of the more exuberant Enron cheerleaders was CSFB's Curt Launer, who maintained a Strong Buy recommendation on Enron's stock for much of last summer and kept that rating right up until Nov. 28 - just days before Enron filed for bankruptcy on Dec. 2, according to First Call. Launer, one of the analysts scheduled to testify on the Hill, couldn't be reached for comment.

But maybe the most important question confronting those firms that joined in Enron-sponsored partnerships concerns what they did with any information they gleaned from participating in those deals. Did those institutions take steps to hedge their own exposure to Enron's stock, bonds and loans even as they were urging others to buy Enron stock?

It's clear that some firms were heavily hedging, or trying to minimize their exposure, to Enron. A recent story in the New York Times revealed that Citigroup took a creative approach to minimizing its exposure to Enron debt and loans. During the winter of 2000 and 2001, the nation's biggest bank sold more than \$1.4 billion of a special kind of security that essentially served as a big insurance policy for Citigroup in the event bad news struck Enron. That may be why Citigroup, despite its enormous lending and underwriting work on Enron's behalf, reports having just \$1.2 billion in exposure to Enron. Citigroup wouldn't comment.

It's worth wondering whether a similar kind of hedging strategy is the reason CSFB, which did more public stock and bond underwriting for Enron than any other firm, reports having just \$126 billion in exposure to Enron. When asked about this, a CSFB spokeswoman declined to comment.

Another thing Congress may want to look at is the 89% surge in short interest (a market bet that a stock will tumble) during the period from January to February 2001 - a time when Enron's stock was trading around \$80 a share and when things seemed to be going well for the company. The rise in short interest to 14.3 million from 7.4 million shares may be partly the result of a big \$1.2 billion convertible-bond offering Enron sold privately in February 2001 to some hedge funds and a group of investment banks, most notably Citigroup's Salomon Smith Barney. It's not uncommon for buyers of convertible bonds - a hybrid bond that can be converted into stock if the shares rise to a set price - to short the issuing company's stock as a hedge against the stock's failure to reach the convert price. But given the size of the increase in shares of Enron sold short, some say the activity bears further scrutiny.

"If it turns out to be the investment banks, it could be part of their legitimate hedging activity," says Sean Egan, president of Egan Jones Ratings, an independent corporate-research firm. "But alternatively, it could be more than that."

Industry critics say the onus is on Wall Street to come clean and tell all it knows about Enron if it wants to avoid the regulatory wrath of Congress. But Bill Singer, a New York securities lawyer and former attorney with the regulatory arm of the National Association of Securities Dealers, says he doubts that will happen. Investment banks, he says, view the stock market as an "adversarial system," in which their only obligation is to the company that issues stock or bonds, not to the investors who ultimately buy those securities. "Once again, Wall Street's ethics are under fire," says Singer.

"But Wall Street doesn't think it did anything wrong. They feel they are simply doing what it takes to sell a deal."

But the Enron debacle may really put that kind of business-as-usual attitude on Wall Street to the test. A few weeks ago, a group of Canadian hedge funds filed a lawsuit against Citigroup, Bank of America (BAC) and Goldman Sachs Group (GS), charging them with knowing that Enron was in severe financial straights even as they were selling its bonds to investors last autumn. Stanley Grossman, a New York securities lawyer who represents one of the hedge funds, Silvercreek Management, says investment banks were "aggressively trying to sell them" because "they had to get rid of them." Silvercreek and the other hedge funds bought \$175 million in Enron bonds last October, some of which included notes from the February \$1.2 billion convertible-bond issue. Citigroup says the suit has no merit.

It may be hard to feel sorry for a group of hedge funds, which after all are the exclusive terrain of the wealthy investors. But their complaint gets at the heart of what's most troubling about the Enron debacle for many ordinary investors: Is the stock market a rigged game that favors big institutions and the powerful at the expense of Main Street? If the millions of new investors who were brought into the stock market over the past few years ultimately decide the answer to that question is "yes," it could spell big trouble for Wall Street and the stock market.

For more information and analysis of companies and mutual funds, visit SmartMoney.com at <http://www.smartmoney.com/>.

---- INDEX REFERENCES ----

COMPANY (TICKER): Bank of America Corp.; Citigroup Inc.; Enron Corp.; ENRNQ;
J.P. Morgan & Co.; Merrill Lynch & Co. (BAC C ENE ENRNQ JPM
MER)

NEWS SUBJECT: Energy Markets; Dow Jones News Service; Dow Jones News
Wires; Analysts' Comments & Ratings of Stocks; Analyst

(Publication page references are not available for this document.)

Comment/Recommendation; Company News; Corporate/Industrial News; Dow Jones Personal Finance Product; Dow Jones News Special Reports; Dow Jones Select Service; Dow Jones Newswires Web Service; High-Yield Issuers; Natural Gas; Lawsuits; Legal/Judicial; Point of View; Smart Money; Dow Jones Total Market Index; English language content; Stock News; Commodity Markets; Market News; Earnings Projections; Performance (M143 DJN DJWI ANL C1521 CNW CCAT DJPF DJS DJSS DJWB HI

MARKET SECTOR: Financial; Industrial; Newswire More Code; Utilities; Newswire End Code (FIN IDU MMR UTI NND)

INDUSTRY: Accounting Firms; Major International Banks; All Banks; Electric Utilities; Diversified Financial Services; Gas Utilities; General Industrial & Commercial Services; Securities; All Industrial & Commercial Services; Dow Jones Industrial Average components; Dow Jones Global Titans Index components; Dow Jones Sector Titans Index - Financial (ACC BAN BNK ELC FIS GAS ICS SCR SVC XDJI XGTI XSTF)

REGION: North American Power; United States; North Carolina; United States - North Carolina; North American Electric Reliability Council; North America; New York; United States - New York; Texas; United States - Texas; United States; Northeast U.S.; Southern U.S.; North American Countries (NAPW USA NC USNC NERC NME NY USNY TX USTX US USE USS NAMZ)

Word Count: 1767

2/26/02 DJNS 20:04:00

END OF DOCUMENT